



**Request for City Council Committee Action**  
**From the Department of Community Planning & Economic Development**

**Date:** December 13, 2005

**To:** Council Member Lisa Goodman, Community Development Cmte

**Prepared by:** Cherré Palenius, Phone 612-673-5241

**Presenter in Committee:** Cherré Palenius, Senior Project Coordinator  
Earl Pettiford, Senior Project Coordinator

**Approved by:** Chuck Lutz, Deputy CPED Director  
Elizabeth Ryan, Director, Housing

**Subject:** Funding Recommendations for the Affordable Ownership Housing Program.

*CL*  
*EJR*

**RECOMMENDATION:**

- A. Approve the following development projects receive Affordable Ownership Housing Program funding and SF HOME funds, up to the amounts indicated below with a total funding commitment of \$1,990,000.
1. Up to \$284,528 for affordability gap to the "38" condominium project located at 3804 Nicollet Ave S by the Lander Group as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan. The City of Lakes Community Land Trust (CLCLT) will market and finance the affordable units and be the Borrower for the AOHP affordability gap funds
  2. Up to \$350,730 for construction and affordability gap to the Spirit of Lakes Cooperative project located at 2930 13th Ave S and 1238 East Lake Street by Powderhorn Residents Group as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.
  3. Up to \$400,000 for construction and affordability gap to the Stevens Square Cooperative project located at 1920-26 Third Ave S by Plymouth Church Neighborhood Foundation as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.

4. Up to \$125,000 for construction gap to Marshall Stacey Townhome project located at 300 Queen Avenue North by Central Community Housing Trust as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan. The developer will contract with Twin Cities Habitat for Humanity to produce and market the affordable units.
  5. Up to \$300,000 for affordability gap to The Greenway at Midtown (Midtown Exchange liner housing) project located at 2900 11th Avenue South by Project for Pride in Living (PPL) as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan. The developer will contract with City of Lakes Community Land Trust (CLCLT) to market and finance ten of the affordable units and will contract with Twin Cities Habitat for Humanity to construct and market two affordable units.
  6. Up to \$209,742 for construction gap to the Homebuyer Initiated Program by City of Lakes Community Land Trust for scattered Minneapolis locations.
  7. Up to \$100,000 to the Karamu West Condominium project located at 2201 Plymouth Avenue North by Northside Residents Redevelopment Council as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan. The City of Lakes Community Land Trust (CLCLT) will market and finance the affordable units and be the Borrower for the AOHP affordability gap funds.
  8. Up to \$180,000 to the Pokegama North project located at 2111-19 14th Avenue South by American Indian Community Development Corporation as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.
  9. Up to \$40,000 of SF HOME funds to the Redeemer Center for Life Housing project located at 1901-15 North 4th Avenue by Project for Pride in Living as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.
- B. Waive the maximum per unit subsidy limit for the Midtown Exchange Condominiums.
- C. Authorize the appropriate City officials to enter into related contractual agreements for the Nicollet Commons and Cedar Avenue Condominiums with the City of Lakes Community Land Trust.
- D. Authorize the appropriate City officials to enter into related contractual agreements for these funds.

**Previous Directives:** During the 2004 budget process, the City Council approved \$1,000,000 for the Workforce Ownership Housing Development Program.

- On January 20, 2004, the Community Development Committee reviewed the Housing Policy Agenda and directed CPED staff to prepare guidelines and criteria for the Workforce Ownership Housing Development Program.
- On September 14, 2004, the Community Development Committee approved the guidelines for and implementation of the Workforce Ownership Housing Development Program.
- On April 5, 2005, the Community Development Committee approved Workforce Ownership Housing Development Program funding commitments of \$1,130,000 to five development projects. The committee also approved combining the Workforce Housing, Perpetual Affordability and Limited Equity Cooperative Funding programs creating one consolidated program, the Affordable Ownership Housing Program.

**Financial Impact** (Check those that apply)

- ☒ No financial impact - or - Action is within current department budget.  
(If checked, go directly to next box)
- ☐ Action requires an appropriation increase to the Capital Budget
- ☐ Action requires an appropriation increase to the Operating Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):
- ☐ Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (Summarize below)

**Ward:** 5, 6, 10 and City-wide

**Neighborhood Notification:** On March 22, 2004, CPED sent a 45-day notice to all of the neighborhood groups and interested parties on the Workforce Ownership Housing Development Program for review and comments.

- The Kingfield Neighborhood Association submitted a letter supporting the "38" development and has pledged NRP funds for the affordable units.
- Midtown Phillips and Powderhorn Park Neighborhood Associations have submitted letters supporting the Spirit of Lakes Cooperative project.
- The Stevens Square Community Organization submitted a letter supporting the Stevens Square Cooperative project.
- The Harrison Neighborhood Association, Board of Directors voted in support of the redevelopment of the property at 300 Queen Avenue North by Central Community Housing Trust in April 2003 and submitted a letter of support for the Redeemer of Life project.
- Midtown Phillips and the Chicago Lake Project Review Committee are aware of this project. The Midtown Exchange Project developed a website specifically to keep the public informed of this project [www.midtowncommunityworks.org](http://www.midtowncommunityworks.org). The Midtown Phillips Neighborhood Association, Inc. submitted a letter supporting this funding request.
- Letters of support were received from the Bottineau Neighborhood Association, Powderhorn Park Neighborhood Association, St. Anthony East Neighborhood Association, Standish Ericsson Neighborhood Association, Field Regina Northrop

Neighborhood Group, Lyndale Neighborhood Development Corporation and St. Anthony West Neighborhood Organization supporting the Homebuyer Initiated Program.

- Northside Residents Redevelopment Council submitted a letter of support for the Karamu project.
- Ventura Village submitted a letter of support for the Pokegama project.

**City Goals:** Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

**Comprehensive Plan:** Increase the City's population and tax base by developing and supporting housing choices citywide through preservation of existing housing and new construction.

**Zoning Code:** Projects will comply.

**Living Wage/Job Linkage:** Not applicable for this action.

### **Background/Supporting Information**

In May 2005, City staff issued a Request for Proposal (RFP) for the 2005 Affordable Ownership Housing Program (AOHP) money (formerly the Workforce Housing, Perpetual Affordability and Limited Equity Cooperative Funding programs). Staff advertised the RFP in the Star Tribune, and the RFP was available on the City of Minneapolis Department of Community Planning & Economic Development's (CPED) website. Proposals were due on July 15, 2005.

The AOHP program provides gap financing to assist for-profit and non-profit developers in the development of single-family, duplex or multi unit housing for owner-occupancy and to provide affordability loans to low-moderate income residents to assist them in qualifying for first mortgage financing. The financing is available as a forgivable loan for new construction and rehabilitation projects that need gap financing assistance to either cover the difference between total development costs and the appraised value (construction gap) or as a 2% deferred affordability loan to the buyer based on verification of need (affordability gap) or a combination of both.

The funding is available for properties sold to owner-occupant households whose income is at or below 50% of median income and/or for owner-occupant households whose income is at or below 60% of median income. The AOHP will provide up to half of the total project gap funding. The maximum CPED assistance is \$40,000 per unit for properties sold to households earning  $\leq 50\%$  of median income. The maximum CPED assistance is \$20,000 per unit for properties sold to households earning  $\leq 60\%$  of median income. Developers are required to provide documentation that the project will remain affordable at the same income level for approximately 30 years. The AOHP guidelines also establish a maximum per unit total funding gap of \$80,000 from all public funding sources for units affordable at  $<50\%$  MMI and a maximum per unit total funding gap of \$40,000 from all public funding sources for units affordable at  $<60\%$  MMI.

CPED received nine multifamily and two single-family new construction and/or rehabilitation development proposals requesting a total of \$3,200,000 in AOHP funding (attachment A). Using the selection criteria provided in the RFP, CPED staff ranked each of the proposals submitted. Attachment B is a comparative analysis of the proposals recommended for funding.

The Greenway at Midtown (Midtown Exchange liner housing) project by PPL is requesting a waiver due to escalating construction costs, growing real estate prices, and monthly association fees while "workforce" incomes have remained flat. This project has twelve units that will be affordable to households earning <50% MMI and 2 units that will be affordable to households earning <60% MMI. Per program guidelines, the project would be eligible to receive up to \$520,000 in funding. With this current funding approval, The Greenway at Midtown would receive \$740,000 (\$440,000 awarded in April 2005 plus the current award of \$300,000). Therefore, this project will require a waiver for the additional \$220,000 (or \$15,715 per unit). There are indications that the maximum AOHP per-unit gap amounts should be revisited on a program-wide basis. Staff will undertake further analysis and likely will pursue an amendment to the AOHP program guidelines before the 2006 funding cycle.

#### Proposals recommended for funding

Two projects that were awarded Workforce Ownership Housing Development funding in April 2005 (later renamed Affordable Ownership Housing Program) will be contracting with CLCLT to provide the buyer affordability loans. Nicollet Commons by Nicollet, LLC and Cedar Avenue Condominiums by Urban Homeworks, Inc. will contract with the CLCLT to market and finance their affordable units. Therefore, the City will contract directly with CLCLT, as the workforce funds will flow through the CLCLT as a deferred loan and not to the developer as previously specified.

In addition to the \$1,000,000 of 2005 AOHP program funding, balances of \$750,000 from the Limited Equity Cooperative program (returned from Riverview Cooperative) and \$200,000 from the Perpetual Affordability program were made available in the RFP.

Staff is recommending \$1,950,000 of AOHP funding and \$40,000 of single-family HOME funds be awarded to the proposals listed below. Specific project details are located in the attached Project Data Worksheets (Attachments C to I) or indicated below. Approval of these projects will result in the expenditure of the entire AOHP appropriation.

1. Up to \$284,528 for affordability gap to the "38" condominium project located at 3804 Nicollet Ave S by the Lander Group. The developer will contract with City of Lakes Community Land Trust (CLCLT) to market and finance the affordable units. (Attachment C).
2. Up to \$350,730 for construction and affordability gap to the Spirit of Lakes Cooperative project located at 2930 13th Ave S and 1238 East Lake Street by Powderhorn Residents Group. (Attachment D).

3. Up to \$400,000 for affordability gap to the Stevens Square Cooperative project located at 1920-26 Third Ave S by Plymouth Church Neighborhood Foundation. (Attachment E).
4. Up to \$125,000 for construction gap to Marshall Stacey Townhome project located at 300 Queen Avenue North by Central Community Housing Trust. The developer will contract with Twin Cities Habitat for Humanity to market and finance the affordable units. (Attachment F).
5. Up to \$300,000 for affordability gap to The Greenway at Midtown (Midtown Exchange liner housing) project located at 2900 11th Avenue South by Project for Pride in Living. (Attachment G).
6. Up to \$209,742 for construction gap to the Homebuyer Initiated Program by the City of Lakes Community Land Trust for scattered Minneapolis locations. The AOHP funds will be pooled with an additional \$947,000 of financing commitments received from MHFA and multiple NRP neighborhoods for a total commitment of \$1,156,742. CLCLT intends to use all the funding received to fund construction and affordability gaps for 26 single-family homes. CLCLT proposes to use the \$209,742 exclusively for construction gap.
7. Up to \$100,000 for affordability gap to the Karamu West Condominium project located at 2201 Plymouth Avenue North by Northside Residents Redevelopment Council. (Attachment H).
8. Up to \$180,000 for affordability gap to the Pokegama North project located at 2111-19 14th Avenue South by American Indian Community Development Corporation. (Attachment I).
9. Up to \$40,000 of single-family HOME funds for construction and affordability gap to the Redeemer Center for Life Housing project located at 1901 and 1915 North 4th Avenue by Project for Pride in Living. PPL proposes to build two three-bedroom side-by-side twin homes, on a zero lot line, that will be affordable to households earning less than sixty percent of the metropolitan median income.

The above projects will use all of the funding appropriated for the Affordable Ownership Housing Program leaving two lower ranked proposals without funding: Phase IV of the Franklin-Portland Gateway Development project and Dan-Bar Homes (Attachment J).

#### Attachments

- |         |                                      |
|---------|--------------------------------------|
| A).     | Development Proposals Received       |
| B).     | AOHP Development Comparisons         |
| C – I). | Multi family Project Data Worksheets |
| J).     | Selection Criteria and Ranking       |

## Affordable Ownership Housing 2005 RFP Selection Criteria

Attachment J

Developer	Lander Group	PRG	PCNF	CCHT	PPL	CLCLT	NRRRC	AICDC	PPL	CCHT	Dan-Bar Homes	
Project Name	38th Nicollet	Spirit of the Lakes Co-op	Stevens Square Co-op	Marshall Stacey Townhomes	Greenway at Midtown	Homebuyer Initiated Program	Karamu West (Condo)	Pokégama	Redeemer Center for Life Housing	Franklin Portland Gateway Phase IV	28th Pillsbury	
Project Address	3804 Nicollet South	2930 13th S & 1238 Lake St	1920-26 3rd South	Queen & Glenwood North	2900 11th South	TBD	2201 Plymouth North	2111-19 South 14th Avenue	1901-15 North 4th Avenue	19th Portland South	2807-09 Pillsbury South	
Neighborhood	Kingfield	Phillips	Stevens Sq	Harrison	Phillips	City wide	Near North	Phillips	Harrison	Phillips	Whittier	
Funding Request	\$284,528	\$350,730	\$400,000	\$125,000	\$600,000	\$505,000	\$240,000	\$260,000	\$40,000	\$274,750	\$120,000	
	\$1,990,000	\$284,528	\$350,730	\$400,000	\$300,000	\$209,742	\$100,600	\$180,000	\$40,000	\$0	\$0	
Criteria												
Proximity to jobs & transit; commercial & community corridors (10 pts)	7	9	10	7	9	7	8	10	7	10	9	
Area Employer contributions (15 pts)	0	0	0	0	5	0	5	0	5	0	0	
Private Leverage (10 pts)	10	8	8	10	6	10	4	10	8	2	5	
Add'l Public Leverage (10 pts)	7	8	8	10	6	10	0	10	10	0	0	
Long term affordability & land trusts (100 pts)	100	100	100	100	100	100	100	75	75	100	25	
Mixed-income (10 pts)	10	10	10	10	10	10	10	10	10	10	10	
Developer experience & capacity (15 pts)	15	15	15	15	15	10	8	15	15	15	10	
Financial feasibility & readiness (15 pts)	10	10	10	10	10	10	5	10	15	5	5	
Non-impacted area (20 pts)	20	0	0	0	0	10	0	0	0	0	0	
Density appropriate to location (10 pts)	10	10	10	10	10	10	10	10	10	10	10	
Treatment of blighted property (25 pts)	25	25	25	25	25	15	25	15	15	15	15	
Zero displacement (10 pts)	10	10	8	10	10	10	10	10	10	0	10	
Integration with broader city revitalization efforts (10 pts)	10	10	10	10	10	3	8	5	5	10	5	
Neighborhood support & financial contribution (15 pts)	15	10	15	10	10	15	15	15	15	7	10	
Reduction of CPED Land Inventory (15 pts)	0	0	0	0	0	0	15	15	15	5	15	
Preservation of expiring tax credit units (20 Pts)	0	0	0	0	0	0	0	0	0	0	0	
Large family housing (10 pts)	5	0	0	5	0	10	0	10	10	0	0	
Senior housing (10 pts)	0	10	0	0	0	0	0	0	0	0	0	
Level of affordability (units at < 30% MMI) (10 pts)	0	0	0	0	0	0	0	0	0	0	0	
Quality of management plan & cooperative training plan (10 pts)	10	10	10	5	10	5	5	5	0	5	0	
Quality of design (10 pts)	10	10	10	10	10	5	10	10	5	5	10	
<b>Total pts</b>	<b>274</b>	<b>255</b>	<b>249</b>	<b>247</b>	<b>246</b>	<b>240</b>	<b>238</b>	<b>235</b>	<b>230</b>	<b>199</b>	<b>139</b>	
Max available pts. - 360												